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Strategies for eradicating poverty to achieve sustainable development for all

Report of the Secretary-General

Summary

The present report is submitted pursuant to Economic and Social Council resolution 2016/6. It provides a review of progress made to date to eradicate poverty and various strategies that have been implemented by countries. The report also includes recommendations to accelerate the eradication of poverty in all its forms, including extreme poverty.

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I. Introduction

1. In its resolution 2016/6, the Economic and Social Council decided that the priority theme for the 2017–2018 review and policy cycle of the Commission for Social Development would be "Strategies for eradicating poverty to achieve sustainable development for all". The present report is prepared for the policy year in the two-year work cycle of the Commission.

2. Eradicating poverty is the overarching objective of the 2030 Agenda for Sustainable Development and one of the core objectives of the World Summit for Social Development. Building on the past work of the Commission for Social Development on eradicating poverty, and as part of the efforts to contribute to the implementation of the 2030 Agenda, in particular, Sustainable Development Goal 1, the present report examines strategies and policies that countries are implementing to eradicate extreme poverty for all people everywhere.

3. Drawing lessons from progress made by many countries, achieving this goal requires political commitment, as well as realistic and determined social and economic policymaking and implementation. It also requires adequate means of implementation, sustaining peace and security, combating rising inequality, mitigating and adapting to climate change, ensuring inclusive globalization and harnessing opportunities presented by technological change and growing interconnectivity. As recognized by the World Summit for Social Development and the 2030 Agenda, in the drive to eradicate global poverty, particular attention must be given to supporting the development efforts of Africa and the least developed countries. In this regard, the last mile in ending extreme poverty will require fostering structural transformation, creating adequate and decent jobs, ensuring food security and nutrition, securing peace and forging stronger partnerships.

II. Progress and challenges in eradicating poverty

4. With its goal of ending poverty in all its forms everywhere, the 2030 Agenda builds upon the achievement of the Millennium Development Goals and addresses their unfinished business. The world achieved its goal of halving 1990 poverty levels five years before the 2015 target date of the Millennium Development Goals. Despite this tremendous progress in reducing global poverty, significant disparities remain across regions and within countries.

5. Globally, 1.1 billion people were lifted out of extreme poverty between 1990 and 2013. Yet, according to the most recent estimates, 768.5 million people or 10.7 per cent of the global population, still lived below $1.90 per day in 2013.[1] Of these, 390.2 million people lived in sub-Saharan Africa and 249.1 million in South Asia. In addition, there were approximately 2.4 billion people living on less than $2 a day, half of them in India and China.

6. The pace of poverty reduction in sub-Saharan Africa is slow, with levels of poverty falling by only 13 per cent between 1990 and 2013, leaving 390.2 million of the region's people still living in extreme poverty. South Asia cut its 1990 rate by at least two thirds by 2013 (from 45 per cent to 14.7 per cent). East Asia and the Pacific made great strides in reducing poverty, from 966 million people (60 per cent of population) in 1990 to 71 million people in 2013 (3.7 per cent of the population), driven largely by China. Two other regions also successfully reduced poverty to less than 5 per cent: Latin America and the Caribbean (4.9 per cent) and the Middle East

[1] The World Bank, Povcalnet data analysis tool, available from http://iresearch.worldbank.org/PovcalNet/home.aspx (data last updated on 10 October 2017).

and North Africa region (2.3 per cent). Nevertheless, despite this progress in the Middle East and North Africa region, poverty has increased in recent years, particularly in countries affected by armed conflict and instability. Poverty remains stubbornly high in the least developed countries, where progress is much slower and where the challenges are greatest. An estimated 50 per cent or more of the total population in such countries, or around 400 million people, still lived in extreme poverty in 2013.[2]

7. In developed countries, an estimated 300 million people were living in relative poverty (with a household income of below 60 per cent of the national median income) in 2012. In the European Union, the relative poverty rate increased to 17.2 per cent in 2014 after a long period of stability at 16.5 per cent up to 2008.[3] In high-income countries, children and women are most affected by poverty, with an average of 20 per cent of children under the age of 18 living in poverty, ranging from 10 per cent in Denmark, Iceland and Norway, to 33 per cent in Israel and Romania.[4]

8. In addition to eradicating income poverty, one of the key ambitions of the 2030 Agenda for Sustainable Development is ending hunger and all forms of malnutrition. Globally, the number of chronically undernourished people increased in 2016. After a downward trend sustained over recent decades, the absolute number of people in the world affected by hunger has gone up. An estimated 815 million people were chronically undernourished in 2016 as compared with 777 million people in 2015. The prevalence of undernourishment in the world also crept up to 11 per cent in 2016 from 10.6 per cent in 2015.[5] This increase is partly attributable to a famine in South Sudan, as well as the deterioration in food security in north-east Nigeria, South Sudan, Somalia, Yemen and other areas affected by abnormal weather patterns, conflict and violence. The food security situation has also deteriorated in South-East and West Asia. Furthermore, economic slowdowns, particularly in commodity-dependent countries, have reduced export and fiscal revenues, which has had a negative impact on access to food for the poor.

9. Making further progress in the eradication of poverty requires addressing inequality in all its dimensions. While income inequality among countries has decreased, with the global Gini coefficient index falling from 69.7 in 1988 to 62.5 in 2013,[6] it remains high. Inequality within countries has increased in many countries, slowing or even halting the pace of poverty reduction. High levels of inequality negatively affect growth and its sustainability through multiple channels. Inequality deprives lower-income households of the ability to stay healthy and accumulate physical and human capital, thereby lowering labour productivity and reducing social mobility. This makes it more difficult to break the transmission of intergenerational poverty. When a large segment of the population is trapped in poverty, consumption and aggregate demand are also reduced and economic growth slows.

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[2] Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, *State of the Least Developed Countries 2017: Follow-up of the Implementation of the Istanbul Programme of Action for the Least Developed Countries* (2017).

[3] International Labour Organization, *World Employment Social Outlook: Trends 2016* (Geneva, 2016).

[4] United Nations Children's Fund Office of Research-Innocenti, *Building the Future: Children and the Sustainable Development Goals in Rich Countries*, Innocenti Report Card No. 14 (Florence, Italy, 2017).

[5] Food and Agriculture Organization of the United Nations (FAO), International Fund for Agricultural Development, United Nations Children's Fund, World Food Programme and World Health Organization, *The State of Food Security and Nutrition in the World 2017: Building Resilience for Peace and Food Security* (Rome, FAO, 2017).

[6] World Bank, *Poverty and Shared Prosperity 2016: Taking on Inequality* (Washington, D.C., International Bank for Reconstruction and Development and the World Bank Group, 2016).

III. Social policies and strategies for eradicating poverty in all its forms

A. Decent work and productive employment

10. Eradicating poverty and achieving the Sustainable Development Goals require the creation of full employment and decent work for all. According to the International Labour Organization, global unemployment levels and rates are expected to remain high in the short term. The global unemployment rate is expected to rise slightly to 5.8 per cent in 2017, from 5.7 per cent in 2016, bringing total unemployment to slightly more than 201 million in 2017 compared with 197.7 million people in 2016. Stagnant employment creation remains a pressing challenge in many countries because of the sluggish global economy nearly a decade after the global financial crisis. The long-term effects of the global financial crisis reshaped the employment landscape in all countries. The global economy is forecast to expand by 2.7 per cent in 2017 and 2.9 per cent in 2018, while the economies of the least developed countries are forecast to grow at an average rate of 4.7 per cent in 2017 and 5.3 per cent in 2018, well below the Sustainable Development Goal target of at least 7 per cent annual GDP growth.[7] At this pace, recovering all the jobs lost during the Great Recession remains a major challenge, a situation that is further compounded by population growth and job losses because of rapid technological change in the workplace.

11. To keep up with the growth of the global working population, more than 600 million new jobs are needed between 2015 and 2030. This translates to 40 million new jobs per year. It is imperative to tackle poor job quality, which remains pervasive worldwide, particularly in developing economies. The poverty and employment challenges facing countries are further exacerbated by the predicament of some 780 million people who are working but not earning enough to lift themselves and their families out of $2-a-day poverty as well as large disparities across several demographic groups. Large gender gaps in labour market opportunities, as well as elevated levels of youth unemployment and underemployment, persist. Women are more likely to earn lower wages, have a higher risk of being in vulnerable employment and to be among the working poor.

12. Addressing these challenges requires a mix of policies, including strengthening, rethinking and reorienting existing labour market policies. The experience of today's developed countries, as well as major emerging economies that have successfully reduced poverty, shows that poverty eradication is enhanced by sustained growth of output and decent jobs. The private sector accounts for 90 per cent of all jobs in developing countries. Governments should support the role played by the private sector in job creation by providing an enabling environment, including by maintaining peace and security, ensuring macroeconomic stability and investing in education, health and infrastructure. There is also a need for employment policies that are tailored to country-specific needs and priorities and integrated within comprehensive macroeconomic policy frameworks.

13. To increase the quantity and quality of employment and decent work, countries have adopted different strategies depending on national circumstances. These include macroeconomic strategies to help stimulate jobs at the aggregate level through measures like government hiring and purchases, the lowering of interest rates to incentivize private investment, transfer payments and tax credits. Countries are actively promoting the creation of green jobs. Countries are also supporting micro, small and medium-sized enterprises by boosting worker productivity through training

[7] United Nations, *World Economic Situation and Prospects 2017*

and the upgrading of skills, establishing business incubators and providing subsidized and low-cost grants and loans, as well as small business financing.

14. National Governments are already stepping in to fill the key role of employer of last resort, especially in situations of structural unemployment. During the 2008 global financial crisis, government hiring of public employees and purchasing activities helped to create jobs. Public investment in infrastructure was also a valuable countercyclical tool in creating jobs. It is important to put in place measures aimed at stimulating labour demand and accelerating employment recovery. In many developing countries, labour-intensive public works programmes have become a major policy instrument for creating short-term employment in situations of high and seasonal unemployment or underemployment. Such programmes have also reduced gender disparities in economic opportunities and minimized income and consumption shortfalls among people living in poverty and other vulnerable segments of the population in times of crises such as drought and famine. Major programmes include the Mahatma Gandhi National Rural Employment Guarantee Scheme in India, the Expanded Public Works Programme in South Africa and the Productive Safety Net Programme in Ethiopia. In Europe, some countries complemented unemployment insurance with short-time compensation programmes. In Germany, the working-time account and the short-time work policy contributed to the unemployment rate falling from 7.6 per cent to 6.4 per cent between 2007 and 2010.

15. Going forward, countries must implement policies that address low-productivity traps, facilitate the transition from the informal to formal employment and tackle precariousness. In Eastern Europe and Central Asia, an estimated 37 million people, comprising one third of the workforce, are in precarious employment.[8] The transition from the informal to the formal economy has been an effective path to the eradication of poverty and a reduction in inequality in Latin America. In that region, improvements in the labour market, particularly formalization and the strengthening of the minimum wage, have been the main drivers of reduction in inequality and poverty since 2000. Such measures could be considered by other regions as a core objective of national development strategies. An integrated approach towards the formalization of informal economies can be accomplished by simultaneously facilitating the transition of workers and economic units from the informal to the formal economy; promoting the creation, preservation and sustainability of enterprises and decent jobs in the formal economy; and promoting the coherence of macroeconomic, employment, social protection and other social policies.

16. To tackle youth unemployment, countries need to find more effective ways to address both the quality and quantity of employment opportunities. These policies should combine macroeconomic policies, investment in skills development and employability, active labour market policies and support for entrepreneurship. In addition to increased investment in education, efforts should be made to address the mismatch between education and the needs of the labour market.

17. Furthermore, countries need to harness the productive potential of gender equality by tackling gender-based discrimination in the labour market. Most women workers find themselves in vulnerable employment and in working poverty; therefore, any strategy aimed at achieving inclusive growth and poverty eradication must address gender inequality in labour markets explicitly. In many countries, this will require addressing the pattern of growth. As some countries moved to labour-intensive, export-oriented production, many women entered such sectors, but at very low wages and without social protection. Countries should also focus on removing

[8] United Nations Development Programme, *Regional Human Development Report 2016: Progress at Risk — Inequalities and Human Development in Eastern Europe, Turkey and Central Asia* (Istanbul, 2016).

the structural barriers to the engagement of women in economic activities and on freeing up the time of women so that they can take advantage of new employment opportunities. This includes strengthening their employability capacity and skills, promoting access to finance and facilitating more equitable household relationships. Public investment in social care and physical infrastructure can both create decent jobs for women and reduce their unpaid work burden.

B. Education

18. The provision of equitable and inclusive quality education to all is critical to eradicating poverty in all its forms. In that regard, sustained poverty eradication requires that the current generation of children and youth acquire the necessary education and skills that would prevent them from falling into poverty in the future. This requires access to universal primary and secondary education for all, particularly for disadvantaged and vulnerable children and youth. In 2015, an estimated 264.3 million children, adolescents and youth were out of school. Of these, 61 million (23 per cent) were children of primary school age, 62 million (23 per cent) were adolescents of lower secondary school age and 141 million (53 per cent) were youth of upper secondary school age. While out-of-school rates have declined over the past 15 years, progress has stalled since 2008, with sub-Saharan Africa continuing to have the highest rates, followed by Central and South Asia.

19. Addressing the educational needs of out-of-school children and the large regional and within-country differences has tremendous implications for poverty eradication efforts. The United Nations Educational, Scientific and Cultural Organization estimates that achieving universal primary and secondary education could lift 420 million people out of poverty, while having all adults complete secondary school would halve the global poverty rate. Countries also need to harness a demographic dividend by investing in education, skills development and health. Doubling the share of skilled workers in Africa, through improvements in education, from 25 to 50 per cent between 2011 and 2030, could see the continent's economy expand by 22 per cent and the number of poor fall by an additional 51 million people by 2030.[9]

20. To reduce poverty and to prevent the intergenerational transmission of poverty, countries have been implementing various education strategies. These include increasing school enrolment by building schools, offering free education, providing inputs such as textbooks and uniforms, reducing class sizes and training more teachers. Latin American countries have spearheaded the implementation of conditional cash transfer programmes that pay parents whose children are enrolled in school. Rigorous evaluations of the effectiveness of these programmes have shown convincing evidence of their success in raising enrolment. In addition to increasing enrolment rates, countries such Colombia, Mexico and Nicaragua have also seen improvements in preventive health care and household consumption. Similarly, Bangladesh experienced an increase in the enrolment of girls in school and improvements in retention after the Government implemented the Female Stipend Programme and the Female Secondary School Assistance Programme in the early 1990s. The programmes lowered the cost of education by paying parents to keep their daughters in school. Enrolment of girls in school grew from about half that of boys to surpass that of boys. The Female Secondary School Assistance Programme also increased women's years of education by between 1.6 and 2 years, and the age of

[9] Amer Ahmed and others, "How significant Is Africa's demographic dividend for its future growth and poverty reduction?", Policy Research Working Paper No. WPS7134 (World Bank Group, December 2014).

marriage of women by between 1.4 and 2.3 years. Labour force participation rates of married women also increased, particularly in the garment industry, which employs over 85 per cent of female workers. The arrival of the garment industry in Bangladesh led to a 13.3 per cent increase in the likelihood that a girl was enrolled in school.

21. To enhance the contribution of education to poverty eradication, countries must tackle the lack of equal opportunities, address cultural biases against the girl child, improve the quality of education, build education infrastructure and invest in teachers. There is also a need for increased, more effective and equitable domestic funding for education. In recent years, global funding for education has decreased, leading to a major funding gap.[10] Educational systems should provide young people with the right mix of knowledge and experience to prepare for active citizenship.

C. Health

22. Improving health outcomes and promoting well-being for all people everywhere is a fundamental goal of the 2030 Agenda. It is also a means of achieving development objectives relating to the eradication of poverty in all its forms. To reduce the burden of disease and improve the health status of their citizens, countries have been implementing a plethora of strategies. These include increasing universal health coverage, providing clean water and sanitation, increasing coverage of child immunization, expanding HIV/AIDS and tuberculosis treatment programmes, conducting campaigns to eradicate malaria, promoting the use of reproductive health and family planning services, improving nutrition and reducing slum settlements. Results from country case studies exploring factors contributing to progress in reproductive, maternal, newborn and child health in Afghanistan, Bangladesh, China, Ethiopia, Kenya, Malawi, the Niger, Pakistan, Peru and the United Republic of Tanzania found that coverage increased most for interventions, such as immunization and insecticide-treated nets, that were administered at lower levels of the health system. These interventions also received considerable political and financial support.[11] Reductions in under-5 mortality were more pronounced in countries with effective community-based interventions, particularly those with increased equity of coverage.

23. Countries have also prioritized reducing maternal and child mortality. Ethiopia leveraged multisectoral policies that integrated child survival and stunting goals within macro-level policies and programmes designed to reduce poverty and improve agricultural productivity, food security, the supply of clean water and sanitation. The results were phenomenal. Under-5 mortality declined from 166 deaths per 1,000 live births in 2000 to 67 deaths per 1,000 live births in 2016. Improvements in child nutrition accounted for half of the averted deaths. Between 2000 and 2014, coverage of child immunization increased from 21 per cent to 80 per cent of children, the prevalence of stunting declined from 60 per cent to 40 per cent and antenatal care increased from 10 per cent to 32 per cent of women. Increases in health funding enabled the accelerated expansion of the health infrastructure and workforce through an innovative community-based delivery system.[12]

[10] United Nations Education, Scientific and Cultural Organization, *Global Education Monitoring Report 2016, Education for People and Planet — Creating Sustainable Futures for All* (Paris, 2016).

[11] Corrina Moucheraud and others, "Countdown to 2015 country case studies: what have we learned about processes and progress towards MDGs 4 and 5?", *BMC Public Health*, vol. 16, supp. 2 (12 September 2016), pp. 33–49.

[12] Jenny Ruducha and others, "How Ethiopia achieved Millennium Development Goal 4 through multisectoral interventions: a countdown to 2015 case study", *The Lancet Global Health*, vol. 5, No. 11 (November 2017), pp. e1142–1151.

24. Countries have also raised basic income support for families, people living in poverty, persons with disabilities, older persons and other disadvantaged groups to increase economic resources that are necessary to obtaining the fundamental prerequisites for health such as adequate shelter and nutrition. These measures, provided through universal primary health care or as part of social protection measures, have resulted in significant health improvements in many developing countries, lowering the burden of disease and its impact on poverty. Research has shown that conditional cash transfers aimed at changing health-related behaviours of people living in poverty are associated with reductions in poverty and inequality, as they result in increased use of health-care services and improved nutritional and anthropometric outcomes, including with regard to stunting.[13] To further reduce poverty and inequality through cash transfers, countries should expand coverage, increase benefits and improve the quality of services.

25. Nevertheless, while significant progress has been made in reducing the prevalence of illnesses, increasing life expectancy and improving reproductive, newborn, maternal and child health, further improvements that contribute to the eradication of poverty need to include all aspects of health status and population-level and individual-level health service coverage, including among poor, vulnerable or disadvantaged populations and regions. Annually, 100 million people are driven below the poverty line because of direct health costs.[14] Countries should therefore progressively achieve universal health coverage, defined as access for all people and communities to services that they need without financial hardship. Nevertheless, available data from 2005 to 2015 indicate that more than 40 per cent of all countries have less than 1 physician per 1,000 people, and around half have fewer than 3 nurses or midwives per 1,000 people. Almost all least developed countries have less than 1 physician and fewer than 3 nurses or midwives per 1,000 people.

26. Meeting universal health coverage and the other Sustainable Development Goal health targets could prevent 97 million premature deaths in a sample of 67 low- and middle-income countries between 2016 and 2030, and life expectancy could increase by as much as 8.4 years. These gains would require significant investment. An additional $274 billion per year in spending on health is needed by 2030 to make progress towards the targets of Sustainable Development Goal 3 under a progress scenario in which the advancement of countries towards global targets is constrained by their health system's assumed absorptive capacity. An additional $371 billion would be required under an ambitious scenario in which most countries attained the global targets. In both scenarios, health system investment that includes employing more health workers, building and operating new clinics, hospitals and laboratories and buying medical equipment would account for about 75 per cent of the total cost.[15]

D. Social protection

27. There has been considerable progress throughout the world in using social protection measures and schemes and well-designed redistributive programmes to reduce poverty and inequality, promote decent work, improve health and education outcomes and improve access to food and better nutrition. Studies have shown that

[13] Mylene Lagarde, Andy Haines and Natasha Palmer, "Conditional cash transfers for improving uptake of health interventions in low- and middle-income countries: a systematic review", *JAMA*, vol. 298, No. 16 (24/31 October 2007), pp. 1900–1910.

[14] World Health Organization (WHO), *The World Health Report: Health Systems Financing — The Path to Universal Coverage* (Geneva, WHO, 2010).

[15] Karin Stenberg and others, "Financing transformative health systems towards achievement of the health Sustainable Development Goals: a model for projected resource needs in 67 low-income and middle-income countries", *The Lancet Global Health*, vol. 5, No. 9 (September 2017), pp. e875–887.

social protection programmes are currently preventing 150 million people from falling into poverty.[16] The provision of social protection also contributes to reductions in inequality. In Central Asia and Eastern Europe, social insurance schemes lowered the Gini coefficient by almost 16 points. In Latin America, public cash transfers reduced the Gini coefficient by 28 per cent in Chile, 26 per cent in Mexico and 20 per cent in Brazil. Nevertheless, while cash transfers have spread across the developing world, in most countries they account for less than 0.25 per cent of GDP, an aspect that restrains the effect they can have on poverty and inequality.

28. The 2017 *Report on the World Social Situation* reviews evidence from around the world that shows the potential of social protection systems to prevent poverty, reduce inequality and promote social inclusion. The report notes that universal access to social protection is a fundamental human right and, together with access to social services, is necessary to break the intergenerational cycle of poverty and promote inclusion. Social protection will have a limited impact on inclusion, however, if it is not complemented by broader interventions that address access to resources and their redistribution, as well as tackle the drivers of exclusion and discrimination. The report underscores that, to leave no one behind, social protection must be universally available and accessible, and provide sufficient benefits.

29. Comprehensive social protection systems are a common feature in more developed regions, while an increasing number of countries in less developed regions are expanding their social protection programmes or putting new programmes in place. Still, only 45 per cent of the world's population was effectively covered by at least one social protection scheme in 2016. Even in countries where social protection is guaranteed by law, effective coverage varies significantly by age, sex, ethnicity, disability status and migrant status. Hence, not all segments of the population are reached effectively. Discrimination, socioeconomic disadvantage and the way in which policies are designed and implemented keep social protection out of the reach of some individuals and groups.

30. To enhance the contribution of social protection schemes to poverty eradication, synergies between social protection and employment should be strengthened, including where complementarities between multisectoral public employment and cash transfers are proven to be effective in reducing income and non-income poverty and inequality. These programmes have long-term positive effects, as they enable sustained escapes from poverty by allowing beneficiaries to invest in the formation of human capital and raise their ability to earn higher incomes in the long run, in addition to creating needed infrastructure, community assets and services. Nevertheless, cash transfers alone are not likely to decrease inequality or produce large impacts on income unless the quality of health and education services is improved. The effectiveness of public employment as part of social protection schemes depends on how such schemes are designed, targeted and delivered. Moreover, social protection generates important social and economic impacts, but by itself it will not be able to sustainably move people out of poverty. There is a need for an integrated approach, linking social protection with other programmes, including agriculture, employment and financial inclusion.

31. While considering expanding and scaling up social protection, inclusiveness is key, including ensuring that rural dwellers and smallholder farmers are effectively reached and their multiple vulnerabilities are specifically addressed. Cash transfers can also provide critical resources for funding job searches, supporting quality training and skills development, increasing access to credit and bolstering the resilience of agricultural smallholders in maintaining production. Many countries in

[16] Ariel Fiszbein, Ravi Kanbur and Ruslan Yemtsov, "Social protection and poverty reduction: global patterns and some targets", *World Development*, vol. 61 (September 2014), pp. 167–177.

Asia, Africa and Latin America have developed ways of coordinating social protection measures with labour market policies and services. This has strengthened opportunities for the unemployed to return to the labour market. For example, the rate of economic activity of adult participants in many Latin American cash transfer programmes, and of beneficiaries of similar schemes in South Africa, was increased by boosting their employability through simple investments in and access to training and employment services.

32. Civil society organizations are also implementing innovative programmes targeting the poorest. The "Targeting the Ultra-Poor" graduation programme of BRAC is being implemented in 11 countries across Asia and Africa. The programme assists those further left behind in accessing basic social services and empowers them to engage with markets and their own communities and graduate from extreme poverty.[17] By implementing interventions tailored to meet local needs, such programmes have led to sustained results in improving incomes and self-employment; reducing food insecurity; increasing assets, savings, job placement rates, school enrolment and graduation; and lowering the prevalence of child marriages.

IV. Policies to promote inclusive and equitable economic growth for poverty eradication

33. Growth has been a major driver of poverty reduction. Going forward, eradicating poverty by 2030 will require inclusive structural transformation, strong growth with employment creation and reductions in inequality. In some countries, eradicating poverty will not be automatic, as the remaining poverty is less responsive to growth and hardest to reach. With rising inequality, growth has become less inclusive over the years, losing its efficacy in reducing poverty and creating sufficient employment.

A. Structural transformation to promote pro-poor growth

34. To realize the Sustainable Development Goal of poverty eradication in all forms everywhere is a global challenge. Meeting this goal with no one left behind will require making very rapid progress in the least developed countries and Africa, as well as addressing rising pockets of poverty in some developed countries. The historical experience of today's developed countries, as well as that of regions that have made considerable progress in reducing poverty, such as East Asia and Pacific, clearly indicate the importance of economic growth that has been accompanied by a dramatic increase in the share of manufacturing employment and an increase in the share of manufacturing value added in the economy. At the same time, in regions that have not made similar progress in reducing poverty, or that have done so at a much slower pace, such as Africa and the least developed countries, economic growth has occurred with a stagnant or decreased share of manufacturing employment and manufacturing value added in the economy. In these regions, economic growth has largely been commodity-driven and unaccompanied by sustainable and inclusive structural transformation and significant creation of employment. In developing countries, growth in the manufacturing sector is more effective at sustaining inclusive poverty reduction, in sharp contrast to other sectors which create fewer jobs and upgrading of technology, and less stable growth over time. Jobs in manufacturing tend to be more productive and therefore offer higher wages relative to employment in

[17] BRAC, "BRAC's Ultra-Poor Graduation Programme: an end to extreme poverty in our lifetime". Available from www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/genericdocument/wcms_494535.pdf.

sectors such as agriculture and services. The United Nations Industrial Development Organization estimates that manufacturing alone provides more than half a billion jobs globally per year and that every job in manufacturing also creates 2.2 jobs in other sectors because of the multiplier effect of industry.

35. In developed countries, however, the share of manufacturing employment in total employment and the absolute number of manufacturing jobs have generally been falling, resulting in growing economic anxiety and increases in pockets of poverty and income inequality within some countries. For developed countries, a shift to higher levels of industrialization driven by significant investments in the formation of human capital and a rapid pace of technological innovation in high-tech industries has the potential to absorb a significant share of the jobs lost in manufacturing.

36. In developing countries, a key challenge is identifying the policies and strategies necessary to foster sustainable and inclusive structural transformation. In the case of Africa, greater efforts are required to reverse the deindustrialization that began in the late 1970s. This will require broad industrial policy that encompasses learning by infant industries, a focus on sectors with high growth potential such as labour-intensive light manufacturing, agroprocessing and services, and industrial and technology innovation and acquisition policies. It will also include promoting entrepreneurship, particularly that of start-ups and small and medium-sized enterprises with the potential for growth and employment creation. Countries such as Ethiopia, Kenya, Mauritius and South Africa have demonstrated the utility of using industrial policy to enhance growth and reduce poverty.

37. Furthermore, Governments in developing countries must stimulate structural transformation by promoting productivity growth in agriculture and the rural non-farm economy. The sector remains the largest employer in these countries and most of the poor also live in rural areas. Indonesia, Japan, Malaysia, the Republic of Korea and Thailand all pursued an agricultural development-led industrialization. Economic transformation and poverty reduction in China were also initially based on improving agricultural productivity and supporting township and village enterprises.

B. Policies promoting financial inclusion

38. Poverty and inequality are multifaceted challenges that need a multiplicity of solutions to combat them. Innovative and inclusive finance that promotes universal access for individuals and micro, small and medium-sized enterprises, at a reasonable cost, to a wide range of financial services is one such solution. A study covering 37 Asian countries found that higher financial inclusion was an effective tool that significantly helped reduce poverty and lowered income inequality.[18] Although financial inclusion is not a silver bullet to get people out of poverty or reduce inequality, it plays a critical role by creating employment and additional income and savings buffers. It enables individuals and small and medium-sized enterprises to make longer-term consumption and investment decisions, participate in productive activities and cope with unexpected shocks. Around the world, countries are leveraging innovative and inclusive finance for poverty eradication using mobile phones to increase access to financial services by people living in poverty, women, rural dwellers and small and medium-sized enterprises. Low-income households and vulnerable groups are increasingly using money transfer platforms to expand their social networks and diversify risk, enhancing their resilience to unexpected negative shocks.

[18] Cyn-Young Park and Rogelio V. Mercado, Jr., "Financial inclusion, poverty and income inequality in developing Asia", Asian Development Bank Economics Working Paper Series No. 426 (January 2015).

39. To reduce poverty and combat inequality, Governments must implement policies that eliminate the impediments to financial inclusion, particularly for women, youth and other disadvantaged groups. The experience of Kenya in implementing innovative and inclusive financial solutions has shown that realizing the full potential of inclusive finance requires innovative and proactive leadership, coordination and sustained effort from Governments, the private sector, development partners and consumers.[19] Regulators must proactively seek to understand emerging innovations and potential risks, and how to regulate them. This allows policymakers to carefully consider novel approaches to regulating technology and ensure that the necessary safeguards are applied to lessen any potential risks of innovative financial models and solutions, to facilitate rather than stifle them. More importantly, all players within the financial inclusion space need to have a deep understanding of the financial lives of poor and low-income people, including how they acquire, manage and use their money. In that way, they will be able to design appropriate frameworks and products that fit their unique needs and empower them to better manage their finances.

C. Infrastructure development

40. Among the factors trapping people in poverty, some are broad in nature and can be resolved only by taking public or collective action on a sufficiently large geographical scale. These include public investments in infrastructure that prioritize social and economic inclusion and accessibility, boost interconnectivity, trade and regional integration and meet the needs of poor people and disadvantaged areas, including through clean water and sanitation, rural roads, irrigation and electrification. Affordable urban housing and mass transit systems can also have significant poverty reduction impacts. Such investments require State capacity and administrative units suitable to be entrusted with the responsibility for planning, and mobilizing resources, and overseeing and managing investments on a sufficiently large scale. There are also factors which are best addressed at the local or village level, such as building and managing a local irrigation system and farm road network, engaging in farmland consolidation, investing in and managing local schools and health clinics, and promoting local technical extensions.

41. Infrastructure is critical for promoting human development through improving people's access to public goods and services and their inclusion in societies. Estimates suggest that, in sub-Saharan Africa, real GDP growth could increase by 1–2 percentage points a year if the region's $50 billion a year infrastructure gap were closed. In China, roads significantly reduced poverty incidence through raising agricultural productivity and non-farm employment. For every 10,000 yuan invested in rural roads, about 3.2 poor people were lifted out of poverty.[20] In Indonesia, roads contributed to poverty reduction through economic growth. For every 1 per cent growth in provincial GDP, the poverty incidence fell by 0.33 per cent in provinces with good roads, as compared with a reduction of 0.09 per cent in provinces with bad roads.[21] The construction of provincial roads improved the wages and employment of people living in poverty. Besides investments in rural roads, poverty has also been found to significantly respond to investments in irrigation networks. In India, the

[19] Matu Mugo and Evelyne Kilonzo, "Community-level impacts of financial inclusion in Kenya with particular focus on poverty eradication and employment creation". Available from www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2017/04/Matu-Mugo-and-Evelyne-Kilonzo-UN-SDGs-Paper5May2017-Kenya-Financial-Inclusion.pdf.

[20] Shenggen Fan, Linxiu Zhang and Xiaobo Zhang, *Growth, Inequality and Poverty in Rural China: The Role of Public Investments*, Research Report No. 125 (Washington, D.C., International Food Policy Research Institute, 2002).

[21] Eunkyung Kwon, "Infrastructure, growth and poverty reduction in Indonesia: a cross-sectional analysis" (Asian Development Bank, 2000).

Philippines, Thailand and Viet Nam, levels of poverty were found to be much lower in irrigated areas than in unirrigated areas.[22] Overall, investment in rural infrastructure contributes to poverty eradication by raising farm and non-farm productivity and boosting decent employment and income opportunities.

42. To facilitate pro-poor growth, countries must also eliminate infrastructure bottlenecks that inhibit the expansion and productivity of micro, small and medium-sized enterprises. Besides improving the business environment of non-farm enterprises that already exist, addressing infrastructure bottlenecks also facilitates the transition from family-based ventures to enterprises that make a greater contribution to decent employment creation, poverty reduction and the local economy.

V. Agricultural growth, rural development and poverty eradication

43. GDP growth originating in agriculture is on average at least twice as effective in reducing poverty as growth in non-agricultural sectors. Such growth reduces poverty by raising farm incomes, creating employment and lowering food prices. Hence, eradicating poverty in all its forms in most developing countries requires policies and strategies to revitalize and reinvest in smallholder farmers and the rural non-farm economy, which accounts for 35 to 50 per cent of the income of rural households in the developing world. This is particularly so in the least developed countries, where agricultural productivity is low, despite the large share of agriculture in GDP, and extreme poverty remains pervasive. These investments entail increasing public and private investment in agricultural research and extension services, undertaking small-scale mechanization, increasing usage of high yielding seed varieties and fertilizers, and improving infrastructure and access to markets. National governments must establish more effective strategies for transferring readily adaptable technologies to local farmers.

44. Improving agricultural productivity also requires addressing climate change, raising real wage rates of agriculture labour and providing adequate social protection. Direct State support to smallholder farmers, combined with balanced and inclusive rural development that promotes the rural non-farm economy and raises wages for agricultural workers, is critical in this respect. Research has shown that the strongest pro-poorest growth in rural areas occurs when support for smallholder farmers is augmented by policies that stimulate the expansion of the rural non-farm economy. The rural non-farm economy contributes to income growth through the expansion of decent employment opportunities in agroprocessing and micro, small and medium-sized enterprises. Strengthening cooperatives and producer organizations is also an effective strategy to empower rural people living in poverty and make the rural economy more productive.

45. While country context matters in determining which sectors have the largest impact on poverty eradication, studies have shown that agricultural growth has been most effective in sub-Saharan Africa and South Asia. Countries like Bangladesh, China, India, Indonesia and the Philippines made tremendous progress in boosting agricultural productivity, achieving food self-sufficiency and reducing extreme poverty when they addressed the multiple dimensions of productivity growth, including through the adoption of modern technologies during the Green Revolution. In India, 85 percent of the reduction in poverty is attributed to agricultural growth.

[22] Madhusudan Bhattarai, R. Sakthivadivel and Intizar Hussain, "Irrigation impacts on income inequality and poverty alleviation: policy issues and options for improved management of irrigation systems", Working Paper No. 39 (Colombo, International Water Management Institute, 2002).

The adoption of modern technologies during the Green Revolution raised farm productivity, improved food security and welfare and lowered food prices, benefiting poor households and urban consumers, who devote a far higher share of their incomes to spending on food. It also raised rural incomes, allowing households to invest in children's education and health and, in the process, tackle the intergenerational transmission of poverty. Similarly, rapid growth in agriculture in Viet Nam has played a major role in reducing poverty, while the strong economic performance of Rwanda during the 1999–2011 period benefited from productivity growth in the agricultural sector. Peru is also tackling high levels of extreme poverty in disadvantaged regions by increasing and improving agricultural performance through expanding irrigation systems and improving technology. This has resulted in significant crop intensification and in many farmers switching to crops with a higher market value.

46. Incorporating gender- and youth-responsive policies and programmes in agriculture is also important. The gender productivity gap in agriculture disappears altogether when access to productive inputs is considered. In some countries, eradicating poverty and combating inequality also require comprehensive land policies that include land redistribution, the institutionalization of democratic land control, the removal of forms of exclusion such as gender, generational, ethnic and economic exclusion, and the development of fair, responsive land administration systems. It is also vital to reduce the incidence of landlessness, moderate the tendency towards greater land concentration and exert much greater public control over land grabs. The loss of community access to land and other natural resources has often led to increased conflict over livelihoods and greater inequality. Local farming communities, particularly indigenous populations, have often been dispossessed with little consultation or adequate compensation.

VI. Climate change and natural disasters

47. The frequency and intensity of negative impacts of climate change disproportionately affect poor and vulnerable people, posing greater challenges to the eradication of poverty. For countries that are vulnerable to natural disasters, it is difficult to sustain economic growth, much less continually accelerate growth and reduce poverty for a prolonged period. Hence, there is a need to set aside resources for prevention, response, reconstruction and recovery from such events, building resilience and scaling up the provision of employment opportunities and social protection. Eradicating poverty and leaving no one behind require reducing risks and vulnerability for low-income and disadvantaged communities in both rural and urban areas.

48. Climate change is predicted to increase the number of people living in poverty in both developed and developing countries, with severe impacts for urban areas and some rural regions in sub-Saharan Africa and South-East Asia. This will exacerbate existing poverty in the least developed countries and lower middle-income countries.[21] Many events that affect people living in poverty are weather-related, including short periods of extreme temperature and minor changes in rainfall, but remain unrecognized in many low-income countries.

49. Climate change affects both rural and urban families living in poverty but in different ways. In rural areas, changing climate trends are expected to shift rural

[21] Lennart Olsson and others, "Livelihoods and poverty" in Intergovernmental Panel on Climate Change, *Climate Change 2014: Impacts, Adaptation, and Vulnerability. Part A: Global and Sectoral Aspects. Contribution of Working Group II to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change*, Christopher Field and others, eds. (Cambridge, United Kingdom, and New York, Cambridge University Press, 2014), chap. 13.

livelihoods from crop-based to hybrid livestock-based livelihoods or to wage labour in urban employment. These shifts are likely to increase rural-to-urban migration and intensify pressures on urban physical and social infrastructure. Climate change will also create new poverty pockets in upper-middle-income and high-income countries, where inequality is on the rise. Poor households in rural and urban areas that are dependent on wage labour and are net buyers of food will be particularly affected as a result of food price increases, especially in regions with high food insecurity and high inequality.

50. People living in poverty are more vulnerable to climate shocks. They have limited assets and access to social protection, finance and adaptive technologies. With limited capacities to recover from natural disasters, they are often unprepared for extreme weather events, which push them from relative to absolute poverty or trap them in intergenerational poverty. Hence, climate-related vulnerability should be well incorporated into national development plans and strategies for eradicating poverty and reducing inequality. Countries should improve investments in risk-reducing services, such as safe water and sanitation and affordable electricity, and enhance the capacity of local Governments, including their ability to effectively respond to the effects of natural disasters. To make local communities more climate-informed, concrete strategies should be developed. These include conducting comprehensive vulnerability assessments to develop resilience plans, incorporating uncertainty in resilience planning, including vulnerable groups and poor communities in decision-making processes, monitoring and evaluating adaptation options to learn what works and scaling successful adaptation interventions.

51. In recent years, the interlinkages among social protection, disaster risk reduction and energy access have been addressed to create climate-resilient development pathways. Social protection, including cash transfer programmes, can be an effective tool to help poor families reduce climate risks and protect assets during recovery. "Adaptive social protection" has emerged to strengthen the resilience of vulnerable populations to shocks. As social protection in general is not intended to strengthen local government capacity in risk reduction, for example, by providing water, sanitation and emergency services, or to strengthen local collective capacity to address climate-risks, there may be a space to include such elements.

VII. Means of implementation

52. The Addis Ababa Action Agenda provides a global framework for financing sustainable development and is an integral part of the 2030 Agenda for Sustainable Development. Nevertheless, in their follow-up and review of the financing for development outcomes and the means of implementation of the 2030 Agenda during the 2017 Economic and Social Council forum on financing for development follow-up, Member States expressed concern about the significant impacts of difficult macroeconomic conditions, low commodity prices, subdued trade growth, volatile capital flows, natural disasters, climate change, environmental degradation, humanitarian crises and conflicts on national efforts to implement the Addis Ababa Action Agenda. Member States also expressed concern that the current global trajectory would not lead to achieving the goal of eradicating poverty in all its forms and dimensions by 2030.[24]

53. To accelerate poverty eradication efforts, countries must raise sufficient domestic resources through taxes and spend those resources effectively to promote inclusive development. Countries need to address tax policy and administration,

[24] See E/FFDF/2017/3.

governance and high levels of informality. In that regard, developing countries have stepped up efforts to mobilize domestic resources. Domestic revenue has been on the rise in many African countries in recent years, with tax revenues continuing to be the most important source of domestic financing. Official development assistance, foreign direct investment, remittances, debt relief, aid for trade, funds from philanthropic organizations and the combating of illicit financial flows are also critical to achieving the 2030 Agenda. Total net official development assistance from members of the Development Assistance Committee of the Organization for Economic Cooperation and Development reached a new peak of $142.6 billion in 2016, up from $131.6 billion in 2015. This represented a rise of 8.9 per cent in real terms. A rise in aid spent on refugees in donor countries boosted the total in 2016. Nevertheless, bilateral net official development assistance to the least developed countries fell by 3.9 per cent between 2015 and 2016, to $24 billion. Net official development assistance to Africa also fell by 0.5 per cent, to $27 billion in 2016, of which $24 billion was for sub-Saharan Africa, representing a decline in real terms of 0.7 per cent for sub-Saharan Africa.[25]

54. While notable improvements have been made, the domestic tax base remains narrow in many countries owing to persistent challenges in tax policy and administration, and governance, and high levels of informality. Illicit financial outflows from developing countries also continue to grow, undermining efforts to fight poverty through investments in basic services, education, health care, agriculture and infrastructure.[26]

VIII. Conclusion and recommendations

55. Great progress has been made in reducing poverty globally, despite unevenness across regions. Extreme poverty remains high in Africa and among the least developed countries, while relative poverty has increased in developed countries. Countries need to maximize the impact of social, macroeconomic and environmental policies on poverty by ensuring policy coherence and more coordination across sectors in line with the 2030 Agenda and the Sustainable Development Goals. Policy coordination at all levels and among all stakeholders for poverty eradication would require strong political commitment and implementation capacity. In designing policies and measures, countries should build on existing experiences and focus on applying different bundles of strategies that fit different stages of development and national contexts. As countries implement different policies and strategies to promote inclusive growth, eradicate poverty, reduce inequality and protect the environment, it has become increasingly important to share development experiences and learn from others. Policymakers should be bold enough to try evidence-based innovative solutions and share lessons with others. Based on analysis and country experiences, the Commission for Social Development may wish to consider the following recommendations:

(a) **Countries should pursue inclusive social and economic policies that encourage structural transformation of economies, orienting them towards productive employment in secondary and tertiary sectors, promote transition from informal to formal employment, increase the productive capacity of those**

[25] Organization for Economic Cooperation and Development, "Development aid rises again in 2016" (11 April 2017), available from www.oecd.org/dac/financing-sustainable-development/development-finance-data/ODA-2016-detailed-summary.pdf

[26] Global Financial Integrity, "Illicit financial flows to and from developing countries: 2005–2014" (Washington, D.C., April 2017).

who remain in informal employment, address income and non-income inequality, including urban-rural disparities, and promote social and financial inclusion;

(b) Countries should promote active labour market policies that make it easier for people living in poverty, women, youth and other disadvantaged social groups to get decent jobs and for workers to get a fair share of the gains from productivity increases resulting from structural transformation and trade. Such policies must be complemented by measures to eliminate economic, political and cultural barriers to social inclusion and full participation in all aspects of society by people living in poverty and in vulnerable situations, including women, children, youth, indigenous peoples, local communities, older persons, persons with disabilities, migrants, refugees and internally displaced persons;

(c) Countries should prioritize investments in human capital, balanced rural development and infrastructure to reflect the needs of the poor and disadvantaged areas. Such investments should include scaling up the delivery of high quality education and health services, clean drinking water and sanitation, and affordable energy, and building resilience to climate change;

(d) Countries should progressively achieve universal social protection and universal health coverage to reduce poverty and inequality;

(e) Countries should invest in producing disaggregated data with greater regularity, make better use of administrative data and harness big data to inform policymaking and the planning and implementation of programmes and strategies to eradicate poverty.